

# GREATER KOKSTAD MUNICIPALITY

ANNUAL DRAFT BUDGET OF

# **GREATER KOKSTAD MUNICIPALITY**

2017/2018 TO 2019/2020  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
  - At [www.kokstad.org.za](http://www.kokstad.org.za)

## Table of Contents

PART 1 – ANNUAL DRAFT BUDGET .....	1
1.1 MAYOR'S REPORT.....	1
1.2 COUNCIL RESOLUTIONS .....	1
1.3 EXECUTIVE SUMMARY .....	2
1.4 OPERATING REVENUE FRAMEWORK .....	4
1.5 OPERATING EXPENDITURE FRAMEWORK.....	10
1.6 ANNUAL DRAFT BUDGET TABLES.....	14
2 PART 2 – SUPPORTING DOCUMENTATION .....	30
2.1 OVERVIEW OF THE ANNUAL DRAFT BUDGET PROCESS.....	30
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL DRAFT BUDGET WITH IDP .....	33
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS .....	37
<b>THE CONCEPT OF POLITICAL OVERSIGHT OVER THE BUDGET PROCESS IS AN IMPORTANT ONE AND IT IS THE KEY TO ENSURING THAT STRATEGY INFORMS THE BUDGET.....</b>	<b>38</b>
<i>GREATER KOKSTAD COMMUNITY NEEDS FOR 2017/2018 .....</i>	<i>39</i>
<b>KEY PROJECT FOR THE NEXT 5 YEARS .....</b>	<b>40</b>
<i>MEASURING OUR PROGRESS.....</i>	<i>53</i>
2.4 OVERVIEW OF BUDGET RELATED-POLICIES .....	56
2.5 OVERVIEW OF BUDGET ASSUMPTIONS .....	58
2.6 OVERVIEW OF BUDGET FUNDING .....	60
2.7 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS .....	66
2.8 CAPITAL EXPENDITURE DETAILS .....	67
2.9 LEGISLATION COMPLIANCE STATUS .....	69
2.10 MUNICIPAL MANAGER'S QUALITY CERTIFICATE .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>

## List of Tables

Table 1 Consolidated Overview of the 2017/2018 MTREF .....	3
Table 2 Summary of revenue classified by main revenue source.....	5
Table 3 Percentage growth in revenue by main revenue source .....	<b>Error! Bookmark not defined.</b>
Table 4 Operating Transfers and Grant Receipts .....	6
Table 5 Comparison of proposed rates to levied for the 2017/2018 financial year .....	8
Table 6 Comparison between current electricity charges and increases (Domestic).....	8
Table 7 Comparison between current waste removal fees and increases .....	9
Table 8 KZN 433 GREATER KOKSTAD Table SA14 – Household bills .....	10
Table 9 Summary of operating expenditure by standard classification item .....	11
<b>Table 10 MBRR Table A1 - Budget Summary.....</b>	<b>Error! Bookmark not defined.</b>
<b>Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....</b>	<b>17</b>

<b>Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote).....</b>	<b>18</b>
Table 13 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) .....	19
Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	20
Table 15 MBRR Table A6 - Budgeted Financial Position .....	22
Table 16 MBRR Table A7 - Budgeted Cash Flow Statement .....	23
Table 17 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation .....	24
Table 18 MBRR Table A9 - Asset Management.....	24
<b>Table 19 MBRR Table A10 - Basic Service Delivery Measurement .....</b>	<b>28</b>

## List of Figures

Figure 2 Planning, budgeting and reporting cycle .....	38
Figure 4 Growth in outstanding borrowing (long-term liabilities).....	61

## Abbreviations and Acronyms

AMR	Automated Meter Reading	NKPIs	National Key Performance Indicators
ASGISA	Accelerated and Shared Growth Initiative	OHS	Occupational Health and Safety
BPC	Budget Planning Committee	OP	Operational Plan
CBD	Central Business District	PBO	Public Benefit Organisations
CFO	Chief Financial Officer	PHC	Provincial Health Care
CM	Municipality Manager	PMS	Performance Management System
CPI	Consumer Price Index	PPE	Property Plant and Equipment
CRRF	Capital Replacement Reserve Fund	PPP	Public Private Partnership
DBSA	Development Bank of South Africa	PTIS	Public Transport Infrastructure System
DORA	Division of Revenue Act	RG	Restructuring Grant
DWA	Department of Water Affairs	RSC	Regional Services Council
EE	Employment Equity	SALGA	South African Local Government Association
EEDSM	Energy Efficiency Demand Side Management	SAPS	South African Police Service
EM	Executive Mayor	SDBIP	Service Delivery Budget Implementation Plan
FBS	Free basic services	SMME	Small Micro and Medium Enterprises
GAMAP	Generally Accepted Municipal Accounting Practice		
GDP	Gross domestic product		
GDS	Gauteng Growth and Development Strategy		
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
kℓ	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTEF	Medium-term Expenditure Framework		
MTREF	Medium-term Revenue and Expenditure Framework		
NERSA	National Electricity Regulator South Africa		
NGO	Non-Governmental organisations		

## Part 1 – Annual Final Budget

### 1.1 Mayor's Report

#### MAYORAL BUDGET SPEECH FOR THE TERM OF COUNCIL DELIVERED AT THE COUNCIL CHAMBER ON THE 29 March 2017



GREATER  
**KOKSTAD**  
MUNICIPALITY  
PROVINCE OF KWAZULU-NATAL

75 Hope Street  
P.O. Box 8, Kokstad  
Tel. +27 39 797 66 00  
Fax. + 27 39 727 55 01  
Email. [info@kokstad.org.za](mailto:info@kokstad.org.za)  
[www.kokstad.org.za](http://www.kokstad.org.za)

OFFICE OF THE MUNICIPAL MANAGER

### 1.2 Council Resolutions

On 29 March 2017 the Council of Greater Kokstad Municipality met in the Council Chambers to consider the annual budget of the municipality for the financial year 2017/2018. The Council approved and adopted the following resolutions:

1. The Council of Greater Kokstad Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual Draft budget of the municipality for the financial year 2017/2018 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance A2 (revenue and expenditure by standard classification) R353,401m
    - 1.1.2. Budgeted Financial Performance A3 (revenue and expenditure by municipal vote) R353,401m
    - 1.1.3. Budgeted Financial Performance A4 (revenue by source) R361,007m
    - 1.1.4. Multi-year and single-year capital appropriations A5 (by municipal vote and standard classification and associated funding by source) R63,705m
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position
    - 1.2.2. Budgeted Cash Flows

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation
  - 1.2.4. Asset management ; and
  - 1.2.5. Basic service delivery measurement.
2. The Council of Greater Kokstad Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:
  - 2.1. the tariffs for property rates
  - 2.2. the tariffs for electricity
  - 2.3. the tariffs for the supply of refuse removal
  - 2.4. the tariffs for other charges
3. The Council of Greater Kokstad Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the tariffs for other services respectively.
4. To give proper effect to the municipality's annual Draft budget, the Council of Greater Kokstad Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No85 was used to guide the compilation of the 2017/2018 MTREF.

The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/2018 MTREF process; and
- Availability of affordable capital.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/2018 annual draft budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/2018 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2017/2018 MTREF**

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Financial Performance</b>										
Property rates	83 223	85 161	88 825	97 002	96 409	96 409	76 671	101 524	107 412	113 642
Service charges	96 957	104 623	123 074	131 599	131 600	131 600	69 000	133 228	140 704	148 542
Investment revenue	1 049	1 996	5 712	5 323	5 323	5 323	2 999	5 643	5 970	6 316
Transfers recognised - operational	53 153	53 612	55 180	62 303	58 816	58 816	38 473	60 673	58 781	61 867
Other own revenue	13 923	23 543	18 249	13 969	15 443	15 443	7 882	20 389	24 420	14 729
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>248 304</b>	<b>268 933</b>	<b>291 039</b>	<b>310 196</b>	<b>307 590</b>	<b>307 590</b>	<b>195 025</b>	<b>321 457</b>	<b>337 287</b>	<b>345 097</b>
Employee costs	87 053	83 896	90 521	114 433	110 744	110 744	48 041	121 033	129 263	138 127
Remuneration of councillors	4 555	4 851	5 239	6 937	6 937	6 937	2 912	7 429	7 935	8 474
Depreciation & asset impairment	33 655	50 541	40 480	73 138	63 138	63 138	19 175	63 138	66 800	70 674
Finance charges	1 524	1 048	804	1 956	1 412	1 412	200	1 782	1 886	1 995
Materials and bulk purchases	61 837	68 479	75 886	94 536	94 536	94 536	43 849	96 616	102 220	108 149
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	49 388	57 865	41 736	62 539	63 052	63 052	18 346	63 402	76 980	81 197
<b>Total Expenditure</b>	<b>238 012</b>	<b>266 681</b>	<b>254 666</b>	<b>353 539</b>	<b>339 819</b>	<b>339 819</b>	<b>132 522</b>	<b>353 401</b>	<b>385 083</b>	<b>408 616</b>
<b>Surplus/(Deficit)</b>	<b>10 293</b>	<b>2 252</b>	<b>36 373</b>	<b>(43 343)</b>	<b>(32 229)</b>	<b>(32 229)</b>	<b>62 503</b>	<b>(31 944)</b>	<b>(47 796)</b>	<b>(63 520)</b>
Transfers and subsidies - capital (monetary alloc	33 502	56 615	24 751	31 525	31 525	31 525	7 933	39 550	48 328	64 149
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>



Total operating revenue has increased by 4 per cent or R13 million for the 2017/2018 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 5% and 6 per cent respectively, equating to a total revenue growth of R15 million over the MTREF when compared to the 2017/2018 financial year.

Total operating expenditure for the 2017/2018 financial year has been appropriated at R353, 3million and translates into a budgeted deficit of R31 million. When compared to the 2015/16 Adjustments Budget, operational expenditure has decreased by 3per cent in the 2017/2018 budget and increase/Decrease by 6 and 6 per cent for each of the respective outer years of the MTREF.

The capital budget of R63 million for 2017/2018 is 3 per cent less when compared to the 2016/17 Adjustment Budget. .

## 1.4 Operating Revenue Framework

For Greater Kokstad Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	83 223	85 161	88 825	97 002	96 409	96 409	76 671	101 524	107 412	113 642
Service charges - electricity revenue	2	86 095	88 283	97 496	113 990	113 991	113 991	56 362	116 087	122 820	129 943
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	9 241	14 793	23 921	16 323	16 323	16 323	12 051	16 406	17 358	18 038
Service charges - other		1 621	1 547	1 656	1 286	1 286	1 286	588	735	527	561
Rental of facilities and equipment		688	757	1 842	1 715	1 715	1 715	518	1 757	1 807	1 906
Interest earned - external investments		1 049	1 996	5 712	5 323	5 323	5 323	2 999	5 643	5 970	6 316
Interest earned - outstanding debtors		2 543	2 969	4 711	3 628	5 101	5 101	2 949	3 846	4 069	4 305
Dividends received											
Fines, penalties and forfeits		1 263	12 142	4 583	1 269	1 269	1 269	315	1 345	1 197	1 270
Licences and permits		3 347	3 473	3 400	3 701	3 701	3 701	1 629	3 924	3 492	3 705
Agency services											
Transfers and subsidies		53 153	53 612	55 180	62 303	58 816	58 816	38 473	60 673	58 781	61 867
Other revenue	2	5 442	4 201	3 713	3 657	3 657	3 657	2 472	9 518	3 856	3 544
Gains on disposal of PPE		640								10 000	
Total Revenue (excluding capital transfers and contributions)		248 304	268 933	291 039	310 196	307 590	307 590	195 025	321 457	337 287	345 097

in line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2017/2018 financial year, revenue from rates and services charges totalled R234 million or 3 per cent. This increases to R248 million, and R262 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 4 per cent in 2016/17 to 2 per cent in 2017/2018. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

**Table 3 Operating Transfers and Grant Receipts**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		-	-	-	-	-	-	50 050	52 986	55 802
Local Government Equitable Share								47 250	51 186	54 002
Local Government Equitable Share								1 800	1 800	1 800
Finance Management								1 000		
EPWP Incentive										
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	10 623	1 848	1 931
SETA & KZN ARTS & CULTURE								10 623	1 848	1 931
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total operating expenditure of Transfers and Grants</b>		-	-	-	-	-	-	60 673	54 834	57 733
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		-	-	-	-	-	-	27 550	48 328	64 149
Municipal Infrastructure Grant (MIG)								17 550	18 328	19 149
DOE								10 000	30 000	45 000
Provincial Government:		-	-	-	-	-	-	12 000	-	-
SMALL TOWNS								12 000		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total capital expenditure of Transfers and Grants</b>		-	-	-	-	-	-	39 550	48 328	64 149
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	100 223	103 162	121 882

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as

food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1 Property Rates**

Local Government: Municipal Property Rates Act 6 of 2004 (hereinafter referred to as the MPRA) and Section 62 (1) (f) of the Local Government: Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the MFMA) provides that a Municipality should adopt and implement a policy on the levying of Rates on ratable property. Section 3 of the Act provides that the Rates Policy takes effect on the effective date of the first valuation roll prepared by the Municipality in terms of this Act. This document sets out the Policy of the Greater Kokstad Municipality and must be read with the MPRA. In applying the rates policy the Municipality will meet the requirements of the MPRA and the MFMA, including any Regulations made under these Acts. The rates policy as set out in this document arises from and is prepared in keeping with the tenor of the preamble and the detail of the legislation in the Local Government: Municipal Property Rates Act No. 6 of 2004. All of the provisions contained in that legislation have been taken into consideration in the preparation of this rates policy.

The following stipulations in the Property Rates Policy are highlighted:

- All residential properties with the market value of less than R40 000.00 are exempted from paying rates. The R15 000.00 impermissible rates contemplated in terms of Section 17(1)(L) of the Municipal Property Rates Act is included in the amount of R40 000.00.

Subject to the provision of multiple use properties where a property is used for multiple purposes, each part of the property shall be separately valued and the rebate applicable to such use shall be granted in respect of that part.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/2018 financial year based on values increase from 1 July 2017 is contained below:

**Table 4 Comparison of proposed rates to levied for the 2017/18 financial year**

Category	Current Tariff (1 July 2016)	Proposed tariff (from 1 July 2017)
	c	
Residential properties	0.015671	0.016627
Government	0.039840	0.042271
Agricultural/Farms	0,003761	0,003990
Commercial, Business & Industrial	0.031076	0.032971
Public Service Infrastructure	0,003548	0,003990

#### 1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 2 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2017.

Considering the Eskom increases, the consumer tariff had to be increased by 1.88 per cent to offset the additional bulk purchase cost from 1 July 2017. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

**Table 5 Comparison between current electricity charges and increases (Domestic)**

Monthly consumption kWh	Percentage change
100	1.88%
250	1,88%
500	1,88%
750	1,88%
1 000	1,88%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2017. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity of municipality and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

#### 1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. On consideration of inflation forecast and the provisioning of the cleansing safety services in ensuring that the municipal citizens are leaving in a clean and healthy environment also are safe from fire damages, the charges on refuse removals and general cleaning of the municipal area are proposed to increase by 6.1%.

The following table compares current and proposed amounts payable from 1 July 2017:

**Table 6 Comparison between current waste removal fees and increases**

	WASTE REMOVAL	MUNICIPALITY CLEANING	WASTE REMOVAL	MUNICIPALIT Y CLEANING
Tariff per container per month or part of a month: Areas serviced by means of: (Tariff is multiplied by the number of service rounds per week and the number of containers.)	Per month (R) 2016/2017		Per month (R) 2017/2018	
Per Bin per month	341.89	341.89	362.75	362.75
Refuse for bulk containers per month	561.78	561.78	596.05	596.05
Cost per removal per container	195.80	195.80	207.74	207.74
Not exceeding two removals per week	233.44	233.44	247.68	247.68

#### 1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

All other municipal charges for the direct services provided on municipal citizen's request are proposed to increase by 6.1%. These are services like use of municipal facilities, cemetery services, other traffic management services, building control services, planning services and etc

**Table 7 KZN 433 GREATER KOKSTAD Table SA14 – Household bills**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
Rates and services charges:											
Property rates		2 550.20	2 677.77	2 827.73	2 997.39	2 997.39	2 997.39	6.1%	10 973.57	11 631.99	12 329.91
Electricity: Basic levy		1 027.20	1 103.11	1 164.88	1 256.91	1 256.91	1 256.91				
Electricity: Consumption		2 200.00	2 362.58	2 494.88	2 691.98	2 691.98	2 691.98	1.9%	1 903.51	2 071.02	2 253.27
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
sub-total		5 976.77	6 353.99	6 709.82	7 181.94	7 181.94	7 181.94	82.9%	13 138.40	13 980.01	14 876.79
VAT on Services											
Total large household bill:		5 976.77	6 353.99	6 709.82	7 181.94	7 181.94	7 181.94	82.9%	13 138.40	13 980.01	14 876.79
% increase/decrease			6.3%	5.6%	7.0%	-	-		82.9%	6.4%	6.4%
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
Rates and services charges:											
Property rates		1 572.90	1 660.98	1 754.00	1 859.24	1 859.24	1 859.24	6.1%	7 648.25	8 114.79	8 609.79
Electricity: Basic levy		831.61	893.07	943.08	1 017.58	1 017.58	1 017.58				
Electricity: Consumption		1 575.00	1 691.39	1 786.11	1 927.21	1 927.21	1 927.21	1.9%	1 016.40	1 105.84	1 203.16
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
sub-total		4 178.88	4 455.98	4 705.51	5 039.70	5 039.70	5 039.70	77.1%	8 925.97	9 497.63	10 106.56
VAT on Services											
Total small household bill:		4 178.88	4 455.98	4 705.51	5 039.70	5 039.70	5 039.70	77.1%	8 925.97	9 497.63	10 106.56
% increase/decrease			6.6%	5.6%	7.1%	-	-		77.1%	6.4%	6.4%
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates		579.94	612.42	646.71	685.51	685.51	685.51	6.1%	4 322.92	4 582.30	4 857.24
Electricity: Basic levy		599.20	643.48	679.52	733.20	733.20	733.20				
Electricity: Consumption		1 223.87	1 314.31	1 387.92	1 497.56	1 497.56	1 497.56	-	500.00	544.00	591.87
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
sub-total		2 602.38	2 780.75	2 936.47	3 151.94	3 151.94	3 151.94	61.3%	5 084.24	5 403.30	5 742.72
VAT on Services											
Total small household bill:		2 602.38	2 780.75	2 936.47	3 151.94	3 151.94	3 151.94	61.3%	5 084.24	5 403.30	5 742.72
% increase/decrease			6.9%	5.6%	7.3%	-	-		61.3%	6.3%	6.3%

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/2018 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2017/2018 budget and MTREF (classified per main type of operating expenditure):

**Table 8 Summary of operating expenditure by standard classification item**

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Employee costs	87 053	83 896	90 521	114 433	110 744	110 744	48 041	121 033	129 263	138 127
Remuneration of councillors	4 555	4 851	5 239	6 937	6 937	6 937	2 912	7 429	7 935	8 474
Depreciation & asset impairment	33 655	50 541	40 480	73 138	63 138	63 138	19 175	63 138	66 800	70 674
Finance charges	1 524	1 048	804	1 956	1 412	1 412	200	1 782	1 886	1 995
Materials and bulk purchases	61 837	68 479	75 886	94 536	94 536	94 536	43 849	96 616	102 220	108 149
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	49 388	57 865	41 736	62 539	63 052	63 052	18 346	63 402	76 980	81 197
<b>Total Expenditure</b>	<b>238 012</b>	<b>266 681</b>	<b>254 666</b>	<b>353 539</b>	<b>339 819</b>	<b>339 819</b>	<b>132 522</b>	<b>353 401</b>	<b>385 083</b>	<b>408 616</b>
<b>Surplus/(Deficit)</b>	<b>10 293</b>	<b>2 252</b>	<b>36 373</b>	<b>(43 343)</b>	<b>(32 229)</b>	<b>(32 229)</b>	<b>62 503</b>	<b>(31 944)</b>	<b>(47 796)</b>	<b>(63 520)</b>
Transfers and subsidies - capital (monetary alloc	33 502	56 615	24 751	31 525	31 525	31 525	7 933	39 550	48 328	64 149
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>

The budgeted allocation for employee related costs for the 2017/2018 financial year totals R121 million, which equals 2 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7.1% per cent for the 2017/2018 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 86 per cent and the Debt Write-off Policy of the Municipality. For the 2017/2018 financial year this amount equates to R8 remain the same as last year R8million by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R63 million for the 2017/2018 financial and equates to 4 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.



## 1.5.1 Priority given to repairs and maintenance

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		697	4 348	4 252	7 928	10 834	10 834	13 141	14 030	11 726
Roads Infrastructure		697	3 563	3 247	3 247	3 247	3 247	3 500	3 703	3 918
Roads		697	3 563	3 247	3 247	3 247	3 247	3 500	3 703	3 918
Electrical Infrastructure		-	785	1 005	4 681	5 587	5 587	6 141	6 624	7 008
Power Plants										
MV Substations			785	1 005	4 681	5 587	5 587	6 141	6 624	7 008
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	2 000	2 000	3 500	3 703	800
Landfill Sites						2 000	2 000	3 500	3 703	800
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Community Assets		725	474	1 477	1 408	1 428	1 428	1 566	1 657	1 753
Community Facilities		-	58	175	305	225	225	460	487	515
Halls										
Fire/Ambulance Stations			-	20	150	50	50	150	159	168
Libraries			29	110	110	110	110	110	116	123
Cemeteries/Crematoria										
Police			29	45	45	65	65	200	212	224
Sport and Recreation Facilities		725	416	1 303	1 103	1 203	1 203	1 106	1 170	1 238
Indoor Facilities										
Outdoor Facilities		725	416	1 303	1 103	1 203	1 203	1 106	1 170	1 238
Capital Spares										
Heritage assets		-	-	-	-	-	-	-	-	-
Other Heritage										
Investment properties		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Other assets		121	285	900	955	950	950	1 650	1 796	1 061
Operational Buildings		-	-	-	55	50	50	50	103	109
Municipal Offices										
Pay/Enquiry Points										
Building Plan Offices										
Workshops					55	50	50	50	103	109
Yards										
Housing		121	285	900	900	900	900	1 600	1 693	952
Staff Housing		121	285	900	900	900	900	1 600	1 693	952
Social Housing										
Capital Spares										
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets										
Intangible Assets		-	-	-	-	-	-	-	-	-
Servitudes										
Licences and Rights		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	50	50	50	50	90	95	101
Computer Equipment				50	50	50	50	90	95	101
Furniture and Office Equipment		44	11	50	75	75	75	100	106	112
Furniture and Office Equipment		44	11	50	75	75	75	100	106	112
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment										
Transport Assets		777	739	1 190	1 500	2 625	2 625	1 790	1 894	2 004
Transport Assets		777	739	1 190	1 500	2 625	2 625	1 790	1 894	2 004
Libraries		-	-	-	-	-	-	-	-	-
Libraries										
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals										
Total Repairs and Maintenance Expenditure	1	2 363	5 857	7 919	11 915	15 961	15 961	18 337	19 577	16 756

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/2018 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2017/2018 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 14per cent in the 2017/2018 financial year, from R7, 7 million to R18, 3 million.

### 1.5.2 Free Basic Services: Basic Social Services Package

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18 % incr.	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Rand/cent</b>											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
<b>Rates and services charges:</b>											
Property rates		2 550.20	2 677.77	2 827.73	2 997.39	2 997.39	2 997.39	6.1%	10 973.57	11 631.99	12 329.91
Electricity: Basic levy		1 027.20	1 103.11	1 164.88	1 256.91	1 256.91	1 256.91				
Electricity: Consumption		2 200.00	2 362.58	2 494.88	2 691.98	2 691.98	2 691.98	1.9%	1 903.51	2 071.02	2 253.27
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
<b>sub-total</b>		<b>5 976.77</b>	<b>6 353.99</b>	<b>6 709.82</b>	<b>7 181.94</b>	<b>7 181.94</b>	<b>7 181.94</b>	<b>82.9%</b>	<b>13 138.40</b>	<b>13 980.01</b>	<b>14 876.79</b>
VAT on Services											
<b>Total large household bill:</b>		<b>5 976.77</b>	<b>6 353.99</b>	<b>6 709.82</b>	<b>7 181.94</b>	<b>7 181.94</b>	<b>7 181.94</b>	<b>82.9%</b>	<b>13 138.40</b>	<b>13 980.01</b>	<b>14 876.79</b>
<b>% increase/-decrease</b>			<b>6.3%</b>	<b>5.6%</b>	<b>7.0%</b>	<b>-</b>	<b>-</b>		<b>82.9%</b>	<b>6.4%</b>	<b>6.4%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
<b>Rates and services charges:</b>											
Property rates		1 572.90	1 660.98	1 754.00	1 859.24	1 859.24	1 859.24	6.1%	7 648.25	8 114.79	8 609.79
Electricity: Basic levy		831.61	893.07	943.08	1 017.58	1 017.58	1 017.58				
Electricity: Consumption		1 575.00	1 691.39	1 786.11	1 927.21	1 927.21	1 927.21	1.9%	1 016.40	1 105.84	1 203.16
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
<b>sub-total</b>		<b>4 178.88</b>	<b>4 455.98</b>	<b>4 705.51</b>	<b>5 039.70</b>	<b>5 039.70</b>	<b>5 039.70</b>	<b>77.1%</b>	<b>8 925.97</b>	<b>9 497.63</b>	<b>10 106.56</b>
VAT on Services											
<b>Total small household bill:</b>		<b>4 178.88</b>	<b>4 455.98</b>	<b>4 705.51</b>	<b>5 039.70</b>	<b>5 039.70</b>	<b>5 039.70</b>	<b>77.1%</b>	<b>8 925.97</b>	<b>9 497.63</b>	<b>10 106.56</b>
<b>% increase/-decrease</b>			<b>6.6%</b>	<b>5.6%</b>	<b>7.1%</b>	<b>-</b>	<b>-</b>		<b>77.1%</b>	<b>6.4%</b>	<b>6.4%</b>
<b>Monthly Account for Household - 'Indigent'</b>	3										
<b>Household receiving free basic services</b>											
<b>Rates and services charges:</b>											
Property rates		579.94	612.42	646.71	685.51	685.51	685.51	6.1%	4 322.92	4 582.30	4 857.24
Electricity: Basic levy		599.20	643.48	679.52	733.20	733.20	733.20				
Electricity: Consumption		1 223.87	1 314.31	1 387.92	1 497.56	1 497.56	1 497.56		500.00	544.00	591.87
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		199.37	210.53	222.32	235.66	235.66	235.66	6.1%	250.05	265.05	280.95
Other								6.1%	11.27	11.95	12.66
<b>sub-total</b>		<b>2 602.38</b>	<b>2 780.75</b>	<b>2 936.47</b>	<b>3 151.94</b>	<b>3 151.94</b>	<b>3 151.94</b>	<b>61.3%</b>	<b>5 084.24</b>	<b>5 403.30</b>	<b>5 742.72</b>
VAT on Services											
<b>Total small household bill:</b>		<b>2 602.38</b>	<b>2 780.75</b>	<b>2 936.47</b>	<b>3 151.94</b>	<b>3 151.94</b>	<b>3 151.94</b>	<b>61.3%</b>	<b>5 084.24</b>	<b>5 403.30</b>	<b>5 742.72</b>
<b>% increase/-decrease</b>			<b>6.9%</b>	<b>5.6%</b>	<b>7.3%</b>	<b>-</b>	<b>-</b>		<b>61.3%</b>	<b>6.3%</b>	<b>6.3%</b>

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required

to register in terms of the Municipality's Indigent Policy. The target is to register 3 500 or more indigent households during the 2017/2018 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## **1.6 Annual Budget Tables**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/2018 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

### **Table 9 Explanatory notes to MBRR Table A1 - Budget Summary**

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	83 223	85 161	88 825	97 002	96 409	96 409	76 671	101 524	107 412	113 642
Service charges	96 957	104 623	123 074	131 599	131 600	131 600	69 000	133 228	140 704	148 542
Investment revenue	1 049	1 996	5 712	5 323	5 323	5 323	2 999	5 643	5 970	6 316
Transfers recognised - operational	53 153	53 612	55 180	62 303	58 816	58 816	38 473	60 673	58 781	61 867
Other own revenue	13 923	23 543	18 249	13 969	15 443	15 443	7 882	20 389	24 420	14 729
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>248 304</b>	<b>268 933</b>	<b>291 039</b>	<b>310 196</b>	<b>307 590</b>	<b>307 590</b>	<b>195 025</b>	<b>321 457</b>	<b>337 287</b>	<b>345 097</b>
Employee costs	87 053	83 896	90 521	114 433	110 744	110 744	48 041	121 033	129 263	138 127
Remuneration of councillors	4 555	4 851	5 239	6 937	6 937	6 937	2 912	7 429	7 935	8 474
Depreciation & asset impairment	33 655	50 541	40 480	73 138	63 138	63 138	19 175	63 138	66 800	70 674
Finance charges	1 524	1 048	804	1 956	1 412	1 412	200	1 782	1 886	1 995
Materials and bulk purchases	61 837	68 479	75 886	94 536	94 536	94 536	43 849	96 616	102 220	108 149
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	49 388	57 865	41 736	62 539	63 052	63 052	18 346	63 402	76 980	81 197
<b>Total Expenditure</b>	<b>238 012</b>	<b>266 681</b>	<b>254 666</b>	<b>353 539</b>	<b>339 819</b>	<b>339 819</b>	<b>132 522</b>	<b>353 401</b>	<b>385 083</b>	<b>408 616</b>
<b>Surplus/(Deficit)</b>	<b>10 293</b>	<b>2 252</b>	<b>36 373</b>	<b>(43 343)</b>	<b>(32 229)</b>	<b>(32 229)</b>	<b>62 503</b>	<b>(31 944)</b>	<b>(47 796)</b>	<b>(63 520)</b>
Transfers and subsidies - capital (monetary allocation)	33 502	56 615	24 751	31 525	31 525	31 525	7 933	39 550	48 328	64 149
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>43 795</b>	<b>58 867</b>	<b>61 123</b>	<b>(11 818)</b>	<b>(704)</b>	<b>(704)</b>	<b>70 436</b>	<b>7 606</b>	<b>532</b>	<b>629</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>39 076</b>	<b>55 976</b>	<b>35 197</b>	<b>45 225</b>	<b>65 710</b>	<b>65 710</b>	<b>-</b>	<b>63 705</b>	<b>73 228</b>	<b>77 649</b>
Transfers recognised - capital	33 502	52 344	22 013	31 525	31 525	31 525	-	39 550	48 328	64 149
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	6 000	-	-
Internally generated funds	5 573	3 632	13 184	13 700	34 185	34 185	-	18 155	24 900	13 500
<b>Total sources of capital funds</b>	<b>39 076</b>	<b>55 976</b>	<b>35 197</b>	<b>45 225</b>	<b>65 710</b>	<b>65 710</b>	<b>-</b>	<b>63 705</b>	<b>73 228</b>	<b>77 649</b>
<b>Financial position</b>										
Total current assets	31 763	84 555	134 008	108 123	189 102	189 102	183 600	166 599	166 531	175 915
Total non current assets	511 656	595 395	587 845	497 544	579 420	579 420	579 420	583 625	638 901	628 551
Total current liabilities	44 992	44 594	55 317	37 344	54 355	54 355	54 358	52 031	39 296	41 213
Total non current liabilities	22 917	22 616	19 702	22 193	18 792	18 792	18 792	18 611	20 212	21 384
Community wealth/Equity	475 510	612 740	646 834	546 130	695 375	695 375	689 871	679 583	745 924	741 869
<b>Cash flows</b>										
Net cash from (used) operating	54 404	97 973	73 691	46 609	44 201	44 201	69 668	70 290	33 976	50 583
Net cash from (used) investing	(37 555)	(55 796)	(34 778)	(45 225)	(65 710)	(65 710)	(65 710)	(82 042)	(76 805)	(79 805)
Net cash from (used) financing	(2 803)	(2 984)	(3 261)	(1 089)	(1 089)	(1 089)	(1 002)	(1 089)	(1 152)	(1 219)
<b>Cash/cash equivalents at the year end</b>	<b>13 523</b>	<b>52 716</b>	<b>88 367</b>	<b>43 696</b>	<b>65 768</b>	<b>65 768</b>	<b>91 323</b>	<b>75 527</b>	<b>31 545</b>	<b>1 103</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	13 523	52 716	88 367	76 120	143 030	143 030	137 460	120 528	117 825	124 423
Application of cash and investments	17 160	7 603	8 646	6 793	12 867	12 867	776	9 604	(1 735)	(1 764)
<b>Balance - surplus (shortfall)</b>	<b>(3 638)</b>	<b>45 113</b>	<b>79 721</b>	<b>69 326</b>	<b>130 164</b>	<b>130 164</b>	<b>136 684</b>	<b>110 924</b>	<b>119 560</b>	<b>126 187</b>
<b>Asset management</b>										
Asset register summary (WDV)	509 682	594 282	586 733	340 354	539 332	539 332	455 908	455 908	475 383	497 419
Depreciation	-	-	-	-	-	-	63 138	63 138	63 138	66 800
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	2 363	5 857	7 919	11 915	15 961	15 961	18 337	18 337	19 577	16 756
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	2 249	2 249	2 249	2 338	2 338	2 474	2 617
Revenue cost of free services provided	32 622	7 640	8 149	20 073	20 073	20 073	26 906	26 906	28 466	30 117
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	3	5	-	5	5	5	13	13	13	13
Refuse:	-	-	-	-	-	-	-	-	-	-

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance,

Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2017/2018 the water backlog will have been very nearly eliminated

**Table 9 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)****Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		154 504	179 307	159 299	165 902	163 295	163 295	176 168	175 695	185 586
Executive and council		12 214	36 805	6 181	15 024	11 537	11 537	12 625	3 947	4 134
Finance and administration		142 290	142 502	153 118	150 878	151 759	151 759	163 543	171 748	181 452
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		9 126	21 204	15 555	11 932	11 972	11 972	10 708	8 765	9 267
Community and social services		2 811	3 556	5 079	4 067	4 107	4 107	3 563	2 696	2 829
Sport and recreation		-	91	837	504	504	504	505	536	567
Public safety		6 314	17 558	9 639	7 361	7 361	7 361	6 640	5 532	5 872
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		22 728	19 259	17 921	32 808	32 808	32 808	30 871	30 164	20 549
Planning and development		4 086	2 707	1 054	1 279	1 279	1 279	1 316	11 332	1 396
Road transport		18 642	16 552	16 867	31 529	31 529	31 529	29 554	18 832	19 153
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		95 448	105 289	124 712	143 115	143 116	143 116	143 260	170 992	193 844
Energy sources		86 207	90 496	100 790	116 965	116 965	116 965	126 854	153 634	175 805
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		9 241	14 793	23 921	26 151	26 151	26 151	16 406	17 358	18 038
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	281 806	325 060	317 486	353 757	351 192	351 192	361 007	385 615	409 246
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		121 470	135 224	129 578	161 168	160 991	160 991	159 406	163 839	167 888
Executive and council		16 143	16 416	19 441	36 514	31 837	31 837	36 844	39 256	35 782
Finance and administration		105 327	118 808	110 137	124 654	129 154	129 154	122 562	124 583	132 105
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		29 393	29 692	32 387	37 833	38 974	38 974	38 957	42 211	45 000
Community and social services		7 263	7 781	8 491	10 259	11 049	11 049	11 611	12 362	13 174
Sport and recreation		4 761	5 072	5 585	6 572	6 572	6 572	5 469	5 841	6 239
Public safety		17 369	16 839	18 311	21 001	21 352	21 352	21 877	24 007	25 588
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		17 581	20 851	22 587	31 314	32 282	32 282	25 442	37 364	39 558
Planning and development		10 655	9 913	10 966	18 265	19 233	19 233	15 056	26 273	27 707
Road transport		6 926	10 938	11 621	13 048	13 048	13 048	10 386	11 092	11 851
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		77 583	87 554	98 840	143 824	136 315	136 315	129 596	141 669	156 170
Energy sources		69 621	79 559	90 669	124 618	124 514	124 514	119 400	128 901	136 487
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		7 962	7 994	8 170	19 205	11 801	11 801	10 196	12 768	19 683
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	246 027	273 321	283 393	374 138	368 562	368 562	353 401	385 083	408 616
<b>Surplus/(Deficit) for the year</b>		35 780	51 739	34 093	(20 381)	(17 370)	(17 370)	7 606	532	629

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

**Table 10 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		12 214	36 805	6 181	15 024	11 537	11 537	12 625	3 947	4 134
Vote 2 - CORPORATE SERVICE		625	20	928	343	343	343	6 060	63	67
Vote 3 - BUDGET AND TREASURY		141 665	142 483	152 190	150 535	151 416	151 416	157 483	171 684	181 385
Vote 4 - COMMUNITY AND SOCIAL SERVICES		2 811	3 647	5 915	4 571	4 611	4 611	4 068	3 233	3 396
Vote 5 - PUBLIC SAFETY		6 314	17 558	9 639	7 361	7 361	7 361	6 640	5 532	5 872
Vote 6 - WASTE MANAGEMENT		9 241	14 793	23 921	26 151	26 151	26 151	16 406	17 358	18 038
Vote 7 - PLANNING AND DEVELOPMENT		4 086	2 707	1 054	1 279	1 279	1 279	1 316	11 332	1 396
Vote 8 - ROADS TRANSPORT		18 642	16 552	16 867	31 529	31 529	31 529	29 554	18 832	19 153
Vote 9 - ELETRICITY		86 207	90 496	100 790	116 965	116 965	116 965	126 854	153 634	175 805
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	281 806	325 060	317 486	353 757	351 192	351 192	361 007	385 615	409 246
Expenditure by Vote to be appropriated	1									
Vote 1 - EXECUTIVE AND COUNCIL		16 143	16 416	19 441	36 514	31 837	31 837	36 844	39 256	35 782
Vote 2 - CORPORATE SERVICE		34 391	22 484	31 324	29 817	32 092	32 092	30 944	32 660	34 696
Vote 3 - BUDGET AND TREASURY		70 937	96 325	78 814	94 836	97 062	97 062	91 618	91 923	97 410
Vote 4 - COMMUNITY AND SOCIAL SERVICES		12 023	12 853	14 076	16 831	17 621	17 621	17 080	18 204	19 412
Vote 5 - PUBLIC SAFETY		17 369	16 839	18 311	21 001	21 352	21 352	21 877	24 007	25 588
Vote 6 - WASTE MANAGEMENT		7 962	7 994	8 170	19 205	11 801	11 801	10 196	12 768	19 683
Vote 7 - PLANNING AND DEVELOPMENT		10 655	9 913	10 966	18 265	19 233	19 233	15 056	26 273	27 707
Vote 8 - ROADS TRANSPORT		6 926	10 938	11 621	13 048	13 048	13 048	10 386	11 092	11 851
Vote 9 - ELETRICITY		69 621	79 559	90 669	124 618	124 514	124 514	119 400	128 901	136 487
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	246 027	273 321	283 393	374 138	368 562	368 562	353 401	385 083	408 616
Surplus/(Deficit) for the year	2	35 780	51 739	34 093	(20 381)	(17 370)	(17 370)	7 606	532	629

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

**Table 11 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	83 223	85 161	88 825	97 002	96 409	96 409	76 671	101 524	107 412	113 642
Service charges - electricity revenue	2	86 095	88 283	97 496	113 990	113 991	113 991	56 362	116 087	122 820	129 943
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	9 241	14 793	23 921	16 323	16 323	16 323	12 051	16 406	17 358	18 038
Service charges - other		1 621	1 547	1 656	1 286	1 286	1 286	588	735	527	561
Rental of facilities and equipment		688	757	1 842	1 715	1 715	1 715	518	1 757	1 807	1 906
Interest earned - external investments		1 049	1 996	5 712	5 323	5 323	5 323	2 999	5 643	5 970	6 316
Interest earned - outstanding debtors		2 543	2 969	4 711	3 628	5 101	5 101	2 949	3 846	4 069	4 305
Dividends received											
Fines, penalties and forfeits		1 263	12 142	4 583	1 269	1 269	1 269	315	1 345	1 197	1 270
Licences and permits		3 347	3 473	3 400	3 701	3 701	3 701	1 629	3 924	3 492	3 705
Agency services											
Transfers and subsidies		53 153	53 612	55 180	62 303	58 816	58 816	38 473	60 673	58 781	61 867
Other revenue	2	5 442	4 201	3 713	3 657	3 657	3 657	2 472	9 518	3 856	3 544
Gains on disposal of PPE		640								10 000	
Total Revenue (excluding capital transfers and contributions)		248 304	268 933	291 039	310 196	307 590	307 590	195 025	321 457	337 287	345 097
Expenditure By Type											
Employee related costs	2	87 053	83 896	90 521	114 433	110 744	110 744	48 041	121 033	129 263	138 127
Remuneration of councillors		4 555	4 851	5 239	6 937	6 937	6 937	2 912	7 429	7 935	8 474
Debt impairment	3	12 763	-	530	9 500	8 907	8 907	19	8 907	9 424	9 970
Depreciation & asset impairment	2	33 655	50 541	40 480	73 138	63 138	63 138	19 175	63 138	66 800	70 674
Finance charges		1 524	1 048	804	1 956	1 412	1 412	200	1 782	1 886	1 995
Bulk purchases	2	60 070	68 479	75 886	94 536	94 536	94 536	43 849	96 616	102 220	108 149
Other materials	8	1 767									
Contracted services		13 949	17 270	10 116	27 193	29 566	29 566	10 613	27 752	29 361	30 745
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	22 676	39 469	31 090	25 846	24 579	24 579	7 715	26 743	38 195	40 482
Loss on disposal of PPE			1 126								
Total Expenditure		238 012	266 681	254 666	353 539	339 819	339 819	132 522	353 401	385 083	408 616
Surplus/(Deficit)		10 293	2 252	36 373	(43 343)	(32 229)	(32 229)	62 503	(31 944)	(47 796)	(63 520)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		33 502	56 615	24 751	31 525	31 525	31 525	7 933	39 550	48 328	64 149
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education and Training Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		43 795	58 867	61 123	(11 818)	(704)	(704)	70 436	7 606	532	629
Taxation											
Surplus/(Deficit) after taxation		43 795	58 867	61 123	(11 818)	(704)	(704)	70 436	7 606	532	629
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		43 795	58 867	61 123	(11 818)	(704)	(704)	70 436	7 606	532	629
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		43 795	58 867	61 123	(11 818)	(704)	(704)	70 436	7 606	532	629

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R321 million in 2017/2018 and escalates to R345 million by 2019/2020. Revenue to be generated from property rates is 101 million in the 2017/2018 financial year and increases to R113 million by 2019/2020 which represents 2 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.



2. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R133 million for the 2017/2018 financial year and increasing to R140 million by 2019/20. This growth can mainly be attributed to the increase in the bulk prices of electricity.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
4. Bulk purchases have significantly increased over the 2017/2018 to 2019/2020 period escalating from R96 million to R102million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 12 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICE		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY AND SOCIAL SERVICES		-	-	-	-	6 335	6 335	-	3 300	5 000	-
Vote 5 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 6 - WASTE MANAGEMENT		-	-	-	4 500	5 650	5 650	-	-	-	-
Vote 7 - PLANNING AND DEVELOPMENT		-	-	-	4 500	10 621	10 621	-	-	-	-
Vote 8 - ROADS TRANSPORT		39 076	55 911	34 562	28 175	22 455	22 455	-	30 550	26 728	27 149
Vote 9 - ELECTRICITY		-	-	-	5 000	14 600	14 600	-	20 750	37 500	47 500
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>39 076</b>	<b>55 911</b>	<b>34 562</b>	<b>42 175</b>	<b>59 660</b>	<b>59 660</b>	<b>-</b>	<b>54 600</b>	<b>69 228</b>	<b>74 649</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	2 100	2 100	-	2 000	400	600
Vote 2 - CORPORATE SERVICE		-	-	527	2 900	3 000	3 000	-	1 240	-	-
Vote 3 - BUDGET AND TREASURY		-	65	108	150	950	950	-	210	-	-
Vote 4 - COMMUNITY AND SOCIAL SERVICES		-	-	-	-	-	-	-	545	-	-
Vote 5 - PUBLIC SAFETY		-	-	-	-	-	-	-	1 700	-	-
Vote 6 - WASTE MANAGEMENT		-	-	-	-	-	-	-	1 600	-	-
Vote 7 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	1 810	3 600	2 400
Vote 8 - ROADS TRANSPORT		-	-	-	-	-	-	-	-	-	-
Vote 9 - ELECTRICITY		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>-</b>	<b>65</b>	<b>635</b>	<b>3 050</b>	<b>6 050</b>	<b>6 050</b>	<b>-</b>	<b>9 105</b>	<b>4 000</b>	<b>3 000</b>
<b>Total Capital Expenditure - Vote</b>		<b>39 076</b>	<b>55 976</b>	<b>35 197</b>	<b>45 225</b>	<b>65 710</b>	<b>65 710</b>	<b>-</b>	<b>63 705</b>	<b>73 228</b>	<b>77 649</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	65	635	3 050	6 050	6 050	-	3 450	400	600
Executive and council		-	-	-	-	2 100	2 100	-	2 000	400	600
Finance and administration		-	65	635	3 050	3 950	3 950	-	1 450	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	-	6 335	6 335	-	5 545	5 000	-
Community and social services		-	-	-	-	5 355	5 355	-	3 345	5 000	-
Sport and recreation		-	-	-	-	980	980	-	500	-	-
Public safety		-	-	-	-	-	-	-	1 700	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		39 076	55 911	34 562	32 675	33 076	33 076	-	32 360	30 328	29 549
Planning and development		-	-	-	4 500	10 621	10 621	-	1 810	3 600	2 400
Road transport		39 076	55 911	34 562	28 175	22 455	22 455	-	30 550	26 728	27 149
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	9 500	20 250	20 250	-	22 350	37 500	47 500
Energy sources		-	-	-	5 000	14 600	14 600	-	20 750	37 500	47 500
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	4 500	5 650	5 650	-	1 600	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>39 076</b>	<b>55 976</b>	<b>35 197</b>	<b>45 225</b>	<b>65 710</b>	<b>65 710</b>	<b>-</b>	<b>63 705</b>	<b>73 228</b>	<b>77 649</b>
<b>Funded by:</b>											
National Government		33 502	18 759	17 036	31 525	31 525	31 525	-	27 550	48 328	64 149
Provincial Government		-	33 585	4 977	-	-	-	-	12 000	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	<b>4</b>	<b>33 502</b>	<b>52 344</b>	<b>22 013</b>	<b>31 525</b>	<b>31 525</b>	<b>31 525</b>	<b>-</b>	<b>39 550</b>	<b>48 328</b>	<b>64 149</b>
Public contributions & donations	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Borrowing	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 000</b>	<b>-</b>	<b>-</b>
Internally generated funds		5 573	3 632	13 184	13 700	34 185	34 185	-	18 155	24 900	13 500
<b>Total Capital Funding</b>	<b>7</b>	<b>39 076</b>	<b>55 976</b>	<b>35 197</b>	<b>45 225</b>	<b>65 710</b>	<b>65 710</b>	<b>-</b>	<b>63 705</b>	<b>73 228</b>	<b>77 649</b>

### Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. This allocation escalates to R40 million in 2017/2018 and then flattens out to R26million in 2018/19.

- Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
- The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

**Table 13 MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash		4 175	1 739	9 326	1 727	9 740	9 740	4 169	8 951		
Call investment deposits	1	9 347	50 977	79 042	74 393	133 291	133 291	133 291	111 577	117 825	124 423
Consumer debtors	1	14 616	26 240	34 585	26 240	35 186	35 186	35 186	35 186	37 157	39 238
Other debtors		2 880	4 869	10 237		274	274	9 868	274	291	309
Current portion of long-term receivables		430	363	274	5 397	9 849	9 849	274	9 849	10 449	11 087
Inventory	2	314	367	544	367	763	763	812	763	809	858
Total current assets		31 763	84 555	134 008	108 123	189 102	189 102	183 600	166 599	166 531	175 915
Non current assets											
Long-term receivables											
Investments											
Investment property		22 801	114 236	114 148	24 142	114 148	114 148	114 148	114 148	114 148	114 148
Investment in Associate											
Property, plant and equipment	3	486 881	479 501	472 313	471 882	463 944	463 944	463 944	463 944	522 441	512 091
Agricultural											
Biological					1 112	1 112	1 112		2 312	2 312	2 312
Intangible		0	545	273	409	216	216	216	3 221		
Other non-current assets		1 974	1 112	1 112				1 112			
Total non current assets		511 656	595 395	587 845	497 544	579 420	579 420	579 420	583 625	638 901	628 551
TOTAL ASSETS		543 419	679 950	721 853	605 668	768 522	768 522	763 020	750 224	805 433	804 466
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	2 822	3 244	2 404	-	2 327	2 327	2 327	-	-	-
Consumer deposits		3 966	3 955	4 143	3 949	4 173	4 173	4 175	4 175	4 175	4 175
Trade and other payables	4	33 825	35 226	46 686	31 226	45 772	45 772	45 772	45 772	33 038	34 954
Provisions		4 379	2 169	2 084	2 169	2 084	2 084	2 084	2 084	2 084	2 084
Total current liabilities		44 992	44 594	55 317	37 344	54 355	54 355	54 358	52 031	39 296	41 213
Non current liabilities											
Borrowing		6 918	3 512	1 091	1 089	181	181	181	-	-	-
Provisions		15 998	19 104	18 611	21 104	18 611	18 611	18 611	18 611	20 212	21 384
Total non current liabilities		22 917	22 616	19 702	22 193	18 792	18 792	18 792	18 611	20 212	21 384
TOTAL LIABILITIES		67 909	67 210	75 019	59 538	73 147	73 147	73 149	70 641	59 508	62 597
NET ASSETS	5	475 510	612 740	646 834	546 130	695 375	695 375	689 871	679 583	745 924	741 869
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		475 510	612 740	646 834	546 130	695 375	695 375	689 871	679 583	745 924	741 869
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	475 510	612 740	646 834	546 130	695 375	695 375	689 871	679 583	745 924	741 869

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items

in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 14 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		85 313	89 557	95 170	87 302	87 301	87 301	68 197	97 463	103 116	109 097
Service charges		98 402	104 623	95 571	128 262	128 262	128 262	64 924	127 928	130 318	137 586
Other revenue		560	(4 759)	4 582	10 302	10 342	10 342	11 568	16 543	10 351	10 424
Government - operating	1	88 196	55 825	54 024	62 303	62 303	62 303	35 237	60 673	58 781	61 867
Government - capital	1		56 064	23 628	31 525	31 525	31 525	17 500	39 550	48 328	64 149
Interest		1 049	4 964	5 712	8 951	8 951	8 951	4 878	9 488	10 038	10 621
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(217 592)	(207 253)	(204 192)	(280 080)	(282 672)	(282 672)	(98 395)	(279 573)	(325 071)	(341 166)
Finance charges		(1 524)	(1 048)	(804)	(1 956)	(1 812)	(1 812)	(34 241)	(1 782)	(1 886)	(1 995)
Transfers and Grants	1								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>54 404</b>	<b>97 973</b>	<b>73 691</b>	<b>46 609</b>	<b>44 201</b>	<b>44 201</b>	<b>69 668</b>	<b>70 290</b>	<b>33 976</b>	<b>50 583</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		1		382					-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (Increase) other non-current receivables									-	-	-
Decrease (Increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(37 557)	(55 796)	(35 161)	(45 225)	(65 710)	(65 710)	(65 710)	(82 042)	(76 805)	(79 805)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(37 555)</b>	<b>(55 796)</b>	<b>(34 778)</b>	<b>(45 225)</b>	<b>(65 710)</b>	<b>(65 710)</b>	<b>(65 710)</b>	<b>(82 042)</b>	<b>(76 805)</b>	<b>(79 805)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing		(2 803)	(2 984)	(3 261)	(1 089)	(1 089)	(1 089)	(1 002)	(1 089)	(1 152)	(1 219)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(2 803)</b>	<b>(2 984)</b>	<b>(3 261)</b>	<b>(1 089)</b>	<b>(1 089)</b>	<b>(1 089)</b>	<b>(1 002)</b>	<b>(1 089)</b>	<b>(1 152)</b>	<b>(1 219)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>14 046</b>	<b>39 193</b>	<b>35 651</b>	<b>294</b>	<b>(22 599)</b>	<b>(22 599)</b>	<b>2 955</b>	<b>(12 841)</b>	<b>(43 982)</b>	<b>(30 442)</b>
Cash/cash equivalents at the year begin:	2	(523)	13 523	52 716	43 401	88 367	88 367	88 367	88 367	75 527	31 545
Cash/cash equivalents at the year end:	2	13 523	52 716	88 367	43 696	65 768	65 768	91 323	75 527	31 545	1 103

### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The Draft 2017/2018 MTREF provide for a further net increase in cash of R120 million for the 2017/18 financial year resulting in an overall projected positive cash position of 110 million at year end.
4. As part of the 2015/16 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R75 million as at the end of the 2016/17 financial year.

**Table 15 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	13 523	52 716	88 367	43 696	65 768	65 768	91 323	75 527	31 545	1 103
Other current investments > 90 days		(0)	(0)	(0)	32 424	77 262	77 262	46 137	45 001	86 280	123 320
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		13 523	52 716	88 367	76 120	143 030	143 030	137 460	120 528	117 825	124 423
Application of cash and investments											
Unspent conditional transfers		-	-	-	-	-	-	16 114	16 114	1 627	1 721
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	17 160	7 603	8 646	6 793	12 867	12 867	(15 338)	(6 510)	(3 362)	(3 485)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		17 160	7 603	8 646	6 793	12 867	12 867	776	9 604	(1 735)	(1 764)
Surplus(shortfall)		(3 638)	45 113	79 721	69 326	130 164	130 164	136 684	110 924	119 560	126 187

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2017/2018 MTREF is funded.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2017/2018 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA

**Table 16 MBRR Table A9 - Asset Management**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	-	-	-	-	-	-	32 405	45 900	50 900
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	16 500	35 000	45 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	4 000	5 000	5 000
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	20 500	40 000	50 000
Community Facilities		-	-	-	-	-	-	1 800	5 000	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	1 800	5 000	-
Heritage Assets		-	-	-	-	-	-	1 200	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	1 040	-	-
Furniture and Office Equipment		-	-	-	-	-	-	805	-	-
Machinery and Equipment		-	-	-	-	-	-	6 410	400	400
Transport Assets		-	-	-	-	-	-	650	500	500
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Total Upgrading of Existing Assets	6	-	-	-	-	-	-	31 300	11 328	12 149
Roads Infrastructure		-	-	-	-	-	-	23 050	11 328	12 149
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	3 250	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	26 300	11 328	12 149
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	5 000	-	-
Community Assets		-	-	-	-	-	-	5 000	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-	23 050	11 328	12 149
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	19 750	35 000	45 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	4 000	5 000	5 000
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	46 800	51 328	62 149
Community Facilities		-	-	-	-	-	-	1 800	5 000	-
Sport and Recreation Facilities		-	-	-	-	-	-	5 000	-	-
Community Assets		-	-	-	-	-	-	6 800	5 000	-
Heritage Assets		-	-	-	-	-	-	1 200	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-

Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	1 040	-	-
Furniture and Office Equipment		-	-	-	-	-	-	805	-	-
Machinery and Equipment		-	-	-	-	-	-	6 410	400	400
Transport Assets		-	-	-	-	-	-	650	500	500
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	-	-	-	-	63 705	57 228	63 049
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
<i>Roads Infrastructure</i>		238 361	439 253	401 733	259 201	313 863	313 863	253 269	268 718	285 110
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>		155 865			23 322	41 021	41 021	23 023	24 427	25 917
<i>Water Supply Infrastructure</i>										
<i>Sanitation Infrastructure</i>										
<i>Solid Waste Infrastructure</i>										
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>		48 429								
<b>Infrastructure</b>		442 655	439 253	401 733	282 522	354 885	354 885	276 291	293 145	311 027
Community Facilities		34 198	33 635	66 187	32 169	49 125	49 125	62 383	66 189	70 226
Sport and Recreation Facilities										
<b>Community Assets</b>		34 198	33 635	66 187	32 169	49 125	49 125	62 383	66 189	70 226
Heritage Assets		1 232	1 112	1 112				2 312	2 312	2 312
Revenue Generating										
Non-revenue Generating										
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		22 801	114 236	114 148	24 142	114 148	114 148	114 150	114 150	114 150
Housing										
<b>Other Assets</b>		22 801	114 236	114 148	24 142	114 148	114 148	114 150	114 150	114 150
<b>Biological or Cultivated Assets</b>										
Servitudes										
Licences and Rights					1 112	1 112	1 112	1 183	1 255	1 331
<b>Intangible Assets</b>					1 112	1 112	1 112	1 183	1 255	1 331
Computer Equipment		0	545	273	409	3 216	3 216	608	645	684
Furniture and Office Equipment		10 028	6 613	4 393		16 846	16 846			
Machinery and Equipment										
Transport Assets								1 293		
Libraries										
Zoo's, Marine and Non-biological Animals										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	509 682	594 282	586 733	340 354	539 332	539 332	455 908	475 383	497 419
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation	7	-	-	-	-	-	-	63 138	63 138	66 800
<b>Repairs and Maintenance by Asset Class</b>	3	2 363	5 857	7 919	11 915	15 961	15 961	18 337	19 577	16 756
<i>Roads Infrastructure</i>		697	3 563	3 247	3 247	3 247	3 247	3 500	3 703	3 918
<i>Storm water Infrastructure</i>										
<i>Electrical Infrastructure</i>			785	1 005	4 681	5 587	5 587	6 141	6 624	7 008
<i>Water Supply Infrastructure</i>										
<i>Sanitation Infrastructure</i>										
<i>Solid Waste Infrastructure</i>						2 000	2 000	3 500	3 703	800
<i>Rail Infrastructure</i>										
<i>Coastal Infrastructure</i>										
<i>Information and Communication Infrastructure</i>										
<b>Infrastructure</b>		697	4 348	4 252	7 928	10 834	10 834	13 141	14 030	11 726
Community Facilities			58	175	305	225	225	460	487	515
Sport and Recreation Facilities		725	416	1 303	1 103	1 203	1 203	1 106	1 170	1 238
<b>Community Assets</b>		725	474	1 477	1 408	1 428	1 428	1 566	1 657	1 753
Heritage Assets										
Revenue Generating										
Non-revenue Generating										
<b>Investment properties</b>										
Operational Buildings					55	50	50	50	103	109
Housing		121	285	900	900	900	900	1 600	1 693	952
<b>Other Assets</b>		121	285	900	955	950	950	1 650	1 796	1 061
<b>Biological or Cultivated Assets</b>										
Servitudes										
Licences and Rights										
<b>Intangible Assets</b>										
Computer Equipment				50	50	50	50	90	95	101
Furniture and Office Equipment		44	11	50	75	75	75	100	106	112
Machinery and Equipment										
Transport Assets		777	739	1 190	1 500	2 625	2 625	1 790	1 894	2 004
Libraries										
Zoo's, Marine and Non-biological Animals										
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		2 363	5 857	7 919	11 915	15 961	15 961	81 475	82 715	83 556
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	49.1%	19.8%	19.3%
<i>Renewal and upgrading of Existing Assets as % of deprecn</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	49.6%	17.9%	18.2%
<i>R&amp;M as a % of PPE</i>		0.5%	1.2%	1.7%	2.5%	3.4%	3.4%	4.0%	3.7%	3.3%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>		0.0%	1.0%	1.0%	4.0%	3.0%	3.0%	11.0%	7.0%	6.0%

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.



Table 17 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000	6 914 000
Piped water inside yard (but not in dwelling)		4 762 000	4 806 750	-	5 072 500	5 072 500	5 072 500	5 072 500	5 072 500	5 072 500
Using public tap (at least min.service level)	2	5 666 750	5 720 000	-	5 934 000	5 934 000	5 934 000	5 934 000	5 934 000	5 934 000
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		17 342 750	17 440 750	6 914 000	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	17 342 750	17 440 750	6 914 000	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500	17 920 500
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		140 105 500	14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		140 105 500	14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	140 105 500	14 142 000	-	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500	15 105 500
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		3 389	5 000	-	4 717	4 717	4 717	12 844	12 844	12 844
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		3 389	5 000	-	4 717	4 717	4 717	12 844	12 844	12 844
<b>Total number of households</b>	5	3 389	5 000	-	4 717	4 717	4 717	12 844	12 844	12 844
<b>Refuse:</b>										
Removed at least once a week		8 965	8 529	8 965	9 062	9 062	9 062	10 068	10 068	10 068
<i>Minimum Service Level and Above sub-total</i>		8 965	8 529	8 965	9 062	9 062	9 062	10 068	10 068	10 068
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	8 965	8 529	8 965	9 062	9 062	9 062	10 068	10 068	10 068
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	2 249	2 249	2 249	2 338	2 474	2 617
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	2 249	2 249	2 249	2 338	2 474	2 617
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		3 510 423	40 000	40 000	40 000	40 000	40 000	40 000	40 000	40 000
Water (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)		169 450	169 450	169 450	169 450	169 450	169 450	235 000	258 500	284 350
Refuse (average litres per week)		20 334	713 520	20 334	20 334	20 334	20 334	48 000	52 800	58 080
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates - exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		32 622	7 640	8 149	10 246	10 246	10 246	12 503	13 228	13 995
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	9 828	9 828	9 828	14 403	15 238	16 122
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>	6	32 622	7 640	8 149	20 073	20 073	20 073	26 906	28 466	30 117

## Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- The Municipality continues to make good progress with the eradication of backlogs:

- a. Electricity services – backlog will be reduced by 2000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 6000 households budgeted to be electrified in 2015/16.
  - b. Refuse services – backlog will be reduced by 21 000 households in 2015/16, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 90 000 households to be registered as indigent in 2015/16, and therefore entitled to receiving Free Basic Services. The number is set to increase to 105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R26 million in 2017/2018, increasing to R30 million in 2019/2020. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R26 million in free services in 2017/18, and it increases to R30 million in 2019/2020. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 August 2014. Key dates applicable to the process were:

- **August 2015**– Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2016** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2016** – Submission of report to Council on implementation of budget and financial status of municipality
- **20 January 2016** - Council approves the 2015/16 Mid-year Review s72 and Adjustments Budget;
- **February 2016** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **March 2016** - Tabling in Council of the draft 2015/16 IDP, SDBIP and 2015/16 MTREF for public consultation. Submission of draft Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)
- **April 2016** – Public consultation and participation;

- **April 2016** – Closing date for written comments ,finalisation of the 2017/2018 IDP, SDBIP and 2017/2018 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2016** - Tabling of the 2017/2018 MTREF before Council for consideration.
- **June 2016** - Tabling of the 2017/2018 MTREF before Council for approval.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2016. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/2018 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/2018 MTREF, based on the approved 2017/2018 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/2018 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/2018 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/2018 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels

- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The draft budget 2017/2018 MTREF as tabled before Council on 30 March 2016 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 03 April to 13 April 2016, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2017/2018 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2015/16 MTREF compared to the final 2017/2018 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2016, was factored into the proposed consumer tariffs, applicable from 1 July 2016. This resulted in an increase of 9,4 per cent;
- An amount of R350 million (R296 million on the Operating Budget and R37 million on the Capital Budget) was included over the medium-term for each of the financial years.
- The 2016 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the November and December 2015, the Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all six wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/2018 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 22 IDP Strategic Objectives**

This section aims at providing a synopsis of the development issues arising from the situational analysis of Greater Kokstad Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 5 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure  
 Local Economic Development  
 Financial Viability and Financial Management  
 Municipal Transformation and Institutional Development  
 Good Governance and Community Participation  
 Spatial and Environmental Planning

**1. STRENGTHS****Local Economic Development**

- It is relatively close to major hubs (Pietermaritzburg and Port Shepstone) in the province
- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Kokstad town
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Kokstad town
- Strong Functionally Chamber of Business
- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project
- C-MAX Prison

**Financial Viability and Financial Management**

- Finance Services Department in Place
- Experienced Chief Financial Officer
- Municipal work within its budget

**Municipal Transformation and Institutional Development**

- Corporate Services Department is in place
- Human resources Development Strategy is in place
- Experienced, qualified and dedicated municipal staff

**Good Governance and Community Participation**

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy

- Up and running Municipal Website

### **Spatial and Environmental Planning**

- Rugged mountainous terrain
- Contrasting grassland
- Greater Kokstad Municipality is strategically located and accessible to all parts of the district.
- Existence of government extension services.
- Identified development urban areas.

## **2. WEAKNESSES**

### **Basic Services Delivery and Infrastructure**

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- 5.3% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of comprehensive infrastructure and services plan.
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

### **Local Economic Development**

- Insufficient water supply
- Lack of LED institution
- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Greater Kokstad Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Lack of Agricultural Development Plan.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Kokstad Town.

### **Financial Viability and Financial Management**

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

### **Municipal Transformation and Institutional Development**

- Lack of office space
- Lack of staff accommodation

### **Good Governance and Community Participation**

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

### **Spatial and Environmental Planning**



- Illegal occupation of land for informal settlement purposes.
- Mushrooming of informal settlements in flood line areas.
- Deterioration of urban areas
- No integration of environmental, land use and transport management system
- Growth and development is only focusing on primary node (Kokstad town) disadvantaged areas and areas of economic opportunity are neglected.
- Illegal small business operators that conducting business from home without permission are increasing. This has given rise to traffic and safety problems as these areas were not designed for such purposes.

### **3. OPPORTUNITIES**

#### **Basic Services Delivery and Infrastructure**

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

#### **Local Economic Development**

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land

#### **Financial Viability and Financial Management**

- Implementation of MPRA
- Less grant dependency

#### **Municipal Transformation and Institutional Development**

- Construction of new offices.
- Agglomeration of various government sector department in one locality

#### **Good Governance and Community Participation**

- Ward Committees have been established
- Communication and Public Participation in place
- 2014 -2018 Comprehensive Municipal IDP document in place

#### **Spatial and Environmental Planning**

- Eco tourism development
- Urban greening
- Corridor development
- Urban expansion

### **4. TREATS**

#### **Basic Services Delivery and Infrastructure**

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

**Local Economic Development**

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus

**Financial Viability and Financial Management**

- Poverty and Unemployment rate
- Non- payment of rates

**Good Governance and Community Participation**

- Low levels of participation by certain stakeholders in the IDP process.

**Spatial and Environmental Planning**

- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

***Summary of Key Priority/Critical Issues***

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;
- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

**2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National

Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last

stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

## **FINAL BUDGET PROCESS OVERVIEW**

- **Political Oversight of Budget Process**

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinates the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purposes of the budget.

The demands on the Municipality to address service delivery backlogs and to improve services delivery of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

- **Consultation Process**

The consultation process began with the tabling of the budget & IDP review process plan on August 2015.

The following processes will be undertaken to present the draft budget to the community:

1. Public meetings
2. Presentation of the budget to Business Community and other stakeholders
3. Placement of budget documentation at all Libraries and other municipal offices.
4. General distribution of budget documentation
5. Advertisement of draft budget in local newspapers and public meetings

The public meetings will be finalised on the 23 April 2017. The closing date for submissions was 28 April 2017.

## **BUDGET CONSULTATION MEETINGS**

**The council will hold the consultative meetings towards the final budget as follows:-**

### **Figure 1 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose);
- and

- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

### **Focus of the review cycle**

The Council adopted a turnaround strategy with the theme “***crossing the Rubicon to business unusual***”. to deal with the material issues raised by the office of the Auditor General in the previous years, with an intention of also improving internal controls as well as financial management systems, policies and procedures. The strategy has yielded a good result as the municipality obtained an unqualified audit opinion report for 20/10, 2010/11 & 2014/15 financial years. Another major hindrance to success has been a lack of capacity and other internal challenges, and we are addressing this problem as a matter of urgency. The Council has already started the process of filling the strategic vacant positions.

### **Greater Kokstad Community Needs for 2017/2018**

Greater Kokstad Municipality communities were asked through IDP Road-shows and ward councillors to identify and prioritise ward community needs for their respective wards.

These community needs can be classified as follows:

## 2017/2018 IDP PROJECTS

### What Residents Say They Need

Greater Kokstad communities were asked through IDP Road shows conducted to all wards to identify community needs for their respective wards. For this exercise to be successful community leaders were asked to involve all community role players. Responses were received from all ward committees and ward councillors as well as from the Kokstad Residents Rates Payers Association and Kokstad Chamber of Commerce. These community needs can be classified as follows:

No.	Ward/s or Region	Specific Area/s	Community Need	Problem Statement- by the Community members	Responsible department	Budget Source		FINANCIAL YEAR				
								2017/18	2018/19	2019/20	2020/21	2021/22
1	1, 4, 5, 6, 7, 9, 10	Horseshoe; Shayamoya (Ward 4); V Murray Street; Thukweni; Thuthuka Ngeli; Shayamoya (Ward 7); Qhingalendlala; Thafeni; Moyeni; Shayamoya (Ward 10)	Access / Link roads	Access / Link roads need to be developed and/or maintained	IPD	CAPITAL	REVENUE		2 000 000.00	2 500 000.00		
2	2, 3, 5, 6, 7, 9, 10	All Extension 7 Roads	Tarring / Rehabilitation / Upgrade/ Completion of roads	Aged roads need to be rehabilitated and those roads that were being developed need to be completed	IPD	CAPITAL	MIG	1 137 000.00	8 000 000.00			

3	2, 3, 5, 6, 7, 9, 10	Franklin; St Johns Road; Murray Street; Mphela; Emapotweni (Pakkies); Wylde Road between Murray Street & 1 <sup>st</sup> Avenue (Riverview); Coulter Street; Bhambayi	<b>Tarring / Rehabilitation/ Upgrade/ Completion of roads</b>	Aged roads need to be rehabilitated and those roads that were being developed need to be completed	IPD	CAPITAL	MIG			5 000 000.00		
4	5	V Murray	<b>Mid-block roads</b>	Mid-block roads are needed to enhance vehicle access to homes	IPD	CAPITAL	Revenue		2 400 000.00	2 500 000.00		
5	1, 2, 4, 5, 6, 7, 9&10, 10	Horseshoe, Thafeni, Franklin, Shayamoya (Ward 4), South-end, Pakkies, Shayamoya (Ward 7), Shayamoya (Ward 10); Riverview Sports ground	<b>Sports Field or Sports Centre establishment / rehabilitation</b>	A need for sports fields to be established and/or rehabilitated was identified to enhance recreation amongst the youth	IPD	CAPITAL	MIG	8 500 000.00				
6	1, 9	Horseshoe, Qhingalendlala	<b>Brick fencing of graveyards</b>	The communities requested that the graveyards be brick fenced to avoid vandalism	CDS	CAPITAL	Revenue	1 500 000.00				
7	6	Trout waters, Rusfontein/Charlton	<b>Graveyard</b>	The communities are requesting for graveyards to be provided for burials as they are currently utilising a privately owned farm and encounter problems as such	CDS	CAPITAL	Revenue		5 000 000.00			
8	1	Horseshoe, Bhongweni	<b>Street Shelters</b>	To provide shelter from inclement weather whilst waiting for taxis/ transportation.	IPD	CAPITAL	Revenue		1 500 000.00			
9	1, 2, 3, 5, 8, 9, 10	Horseshoe; CBD; Railway to Cnr Murray Street; St Johns Street; between Homes 2000 & Unique Homes; Near Nonqubela PS; Thafeni; near Shayamoya Sports Field	<b>Street / Master lights/ Maintain or Up grade</b>	Communities identified a need for street lights to be installed and/or maintained in some areas		OPERATING	Revenue	6 000 000.00	6 348 000.00	6 716 184.00		

10	1, 2, 3, 5, 8, 9, 10	Horseshoe; Franklin; between Homes 2000 & Unique Homes; Near Nonqubela PS; Thafeni; near Shayamoya Sports Field; Marikana	Street / Master lights/ Maintain or Up grade	Communities identified a need for street lights to be installed and/or maintained in some areas		CAPITAL	Revenue		2 500 000.00	2 500 000.00		
11	1, 7, 8	Horseshoe; Shayamoya; Zitandini (from kwaNtombela to kwaGuguza Tuck shop)	Speed humps	A need for speed humps to be installed was identified in order to protect the children of the areas against high speed drivers	IPD	OPERATING	Revenue	3 500 000.00	3 703 000.00	3 917 774.00		
12	1, 5, 9 & 10	Horseshoe; South-end; Groom Street; Main Street to V-3 Murray Street; Barker Street;	Sidewalks	Sidewalks were an identified need to decrease competition between pedestrians and vehicles on the road as this results in pedestrians walking directly on the road	IPD	CAPITAL	Revenue		1 000 000.00	1 000 000.00		
13	2, 6, 7, 9, 9 & 10, 10	Thuthuka Ngeli	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	700 000.00				
14	2, 6, 7, 9, 9 & 10, 10	Shayamoya	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	1 600 000.00				
15	2, 6, 7, 9, 9 & 10, 10	Maraiskop & Makhoba	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue	200 000.00				

16	2, 6, 7, 9 & 10, 10	Krandraai, Runsfontein; New Market; Qhingalendlala; Twistvalley	Community Hall Development and/or Rehabilitation/Upgrade	A community hall was identified as a need for formal gatherings and those areas that already have a community hall need to have it rehabilitated	IPD	CAPITAL	Revenue		1 200 000.00	1 500 000.00		
17	2	Krandraai, Maraiskop & Makhoba; Thafeni; Franklin	Poultry & Gardening	A need for Resources, funds and piece of land were identified to be used for poultry and gardening	LED	OPERATING		660 000.00				
18	2, 6, 8, 9&10	Twistvalley	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL		350 000.00				
19	2, 6, 8, 9&10	Franklin	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL	REVENUE	350 000.00				
20	2, 6, 8, 9&10	Thuthuka Ngeli; Khanyiselani;	Bakery equipment and/or Establishment of a bakery	A need for bakery equipment was identified in order for the bakery to fully function	OMM-LED	CAPITAL	REVENUE		400 000.00			
21	6	Trout waters; Kargspost; Rusfontein; New Market	Bakery, bread, confectionary and juice making business (for the physically challenged)	Resources, funds, and space for operation as well as training have been an identified need for the establishment of the business to empower the physically challenged	OMM-SP	CAPITAL	REVENUE			600 000.00		
22	3, 5, 8	CBD, Dumisani Makhaye, behind SASSA; St Johns Street, Booil Lane	Storm water drainage system	In order to avoid floods flowing to the houses, a need for drainage system was identified	IPD	CAPITAL	REVENUE	1 000 000.00	1 000 000.00	1 000 000.00		

87 781 958.00

35 051 000.00

27 233 958.00





















### **Key Project For The next 5 years**

The key project for the next five years area:

- Building of Municipal Civic Centre Complex that will accommodate all the municipal staff and some of the national and provincial government departments.
- Development of significant retail development such as Mamisa and Pick and Pay
- Urban Regeneration Strategy
- Development of Comprehensive Infrastructure Plan
- Development of middle to high income housing
- Development of Shayamoya Precinct plan;
- Development of Franklin, Makhoba and Swartberg Nodal Development Framework Plan
- Development of Integrated Transport Plan

### **Implications for development**

- In the economic core or urban areas of the Municipality there are bulk water supply constraints resulting in the town reaching the capacity of its available water resources. This has caused an inability to run certain developments at full capacity (e.g. C-Max) and constrain on the ability to plan for and approve future development in the town. This has also led to an over-exploitation of existing water sources (e.g. UMzintlaba River).
- The railway line is not currently being used. Road transport is the only functional mode of transport in the area. This has resulted in roads being degraded thus, requiring frequent maintenance which has major financial implications. The railway line can be used to transport goods, agricultural products or people depending on consumer demand. Therefore more focus should be placed on revitalization of railway line.
- The Greater Kokstad population is relatively young with 35, 87% of the population below the age of 39. This relatively young population signifies high potential for population growth in the future which further exacerbates the supply and demand scenario for more housing, education and health services in the foreseeable future. The segment of the population falling within the 15 – 69 groups would essentially be classified as the potentially economically active population of Greater Kokstad Municipality. This means that the municipality, sector departments and NGOs must direct their development plan in favour of youth. This data also means that there must be improved intake of social security grants especially the child support grants within the municipal area.

- The issue of high level of employment suggest that the Greater Kokstad Municipality should put more resources on economic development and poverty alleviation programme

### ***Measuring Our Progress***

Greater Kokstad Municipality set itself a clear and achievable targets and performance indicators with specific reference of the national KPAs. An overall organisation performance identifying the success or specific KPAs where targets are not being met are reported to the Municipal Manager to take remedial action in good time before the end of the financial year.

#### **A19. Development of IDP Review**

IDP Review for the Greater Kokstad Municipality has been developed 'in house'. This decision was taken to ensure that ownership of the process and product remains within the municipality. The services provider was only required for specialized task, such as the reviewing of the municipal Spatial Development Framework. The review of the Greater Kokstad Municipality was developed through a consultative, open and transparent process in which the broad public, stakeholders, officials and Councillors provide inputs into gaps and changing circumstances within their area of jurisdiction. During the completion of the draft IDP review, in line with the adopted IDP Process Plan, the consultative meetings were undertaken.

The Community Development Workers have been utilized as the vehicle to ensure effective interaction and communication between the municipality and its citizens around broader development issues including the IDP review

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Greater Kokstad Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

### 2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2013/14 financial year the ratio deteriorated to a level 4,5 per cent. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2010/11 and 2017/2018 the gearing ratio peaked at 0.0 per cent. This was primarily a result of the decreased borrowing levels and increasing funds and reserves.

### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 0.1 and as part of the financial planning strategy it has been decreased to 0.7 in the 2013/14 financial year.

### 2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### *2.3.1.5 Creditors Management*

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

#### *2.3.1.6 Other Indicators*

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2015/16 financial year 3 500 registered indigents have been provided for in the budget with this figured increasing to 4352 by 2017/2018. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) .

This policy is mainly focused on providing financial assistance or support to indigent households in the form of subsidies for services charges -electricity and refuse removal. Its main objectives are to provide services in a sustainable manner within the financial means of the municipality; to provide procedures and guidelines for the subsidization of service charges using a portion of equitable share.

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in October 2013 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

### **2.4.3 Budget Policy**

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment

budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

#### **2.4.4 Virement Policy**

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The purpose of this policy is to provide directives relating to virements and to enable the accounting officer to amend budgets in the light of experience or to provide for anticipated changes.

#### **2.4.5 Cash Management and Investment Policy**

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks. The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

#### **2.4.6 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 that in setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy)

## **2.5 Overview of budget assumptions**

### **2.5.1 Headline inflation forecasts**

On setting up increases on tariffs and increasing of budget expenditures, the National Treasury issued inflation forecast through MFMA circular No 78 for 2017/2018 of 6% has been well considered and this resulted to all tariffs except electricity to be increased by 8,39%.

### **2.5.2 Revision of rates, tariffs, and other charges**

As detailed on paragraph 1 above, when revising tariffs, rates and other charges, inflation forecast has been considered to ensure that all are proposed to increase not above 6%.

Further to the above, the labour and other input costs of services have been taken into account to ensure financial sustainability, local economic conditions and the affordability of services and also taken into consideration the municipality's indigent policy. The proposed rates, tariffs and other charges have been tried to be kept as as low as practically possible.

### **2.5.3 Eskom bulk tariff increases**

On announcement of Eskom bulk increases by NERSA, the municipality proposed increases on electricity tariffs is 9.4% as guided by NERSA final approved tariffs will be subject to NERSA. These will be only tariffs to increase above 9.4% and this is beyond municipality as electricity is purchased in bulk from Eskom.

### **2.5.4 Funding choices and management matters**

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.
- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

### **2.5.5 The Municipal Budget and reporting Regulations**

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

### **2.5.6 MFMA Circular No. 78**

Circular No. 78 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered. Circular No.78 provides further guidance to municipalities for the preparation of 2017/2018 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2015/16 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

### **2.5.7 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 86 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.5.8 Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.



### **2.5.9 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2015 and shall remain in force until 30 June 2018.

### **2.5.10 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### **2.5.11 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

## **2.6 Overview of budget funding**

### **2.6.1 Medium-term outlook: operating revenue**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;

- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2015/16 MTREF on the different revenue categories are:

#### **Proposed tariff increases over the medium-term**

Revenue to be generated from property rates is R88 million in the 2015/16 financial year and increases to R97 million by 2017/2018 which represents 33.9 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R106million for the 2015/16 financial year and increasing to R116 million by 2017/2018. For the 2015/16 financial year services charges amount to 41 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R62million, R43 million and R45 million for each of the respective financial years of the MTREF, or 7, 7 and 6 per cent of operating revenue. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

#### **Figure 2 Growth in outstanding borrowing (long-term liabilities)**

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R25 million in 2015/16, R8 in 2017/2018 and R8 million in 2017/2018.

#### **2.6.2 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;

- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

### 2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increasing over the period 2017/2018 to 2018/19 escalating from R7 million to R9 million. It is aimed that by 2017/2018 this surplus would have been significantly increased to R4 million. The 2017/2018 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

#### **2.6.4 Funding compliance measurement**

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

##### *2.6.4.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 4 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

##### *2.6.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

##### *2.6.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due.

##### *2.6.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 9.4, 8.9 and 9.0 per cent for the respective financial year of the 2015/16 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 9 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 90, 95 and 74.5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 80 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.6.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality can be found on 66.

#### *2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### *2.6.4.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

#### *2.6.4.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

#### *2.6.4.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.7 Contracts having future budgetary implications

Vote Description R thousand	Ref	2017/18 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Present value
<b>Capital expenditure</b>	1							
Vote 1 - EXECUTIVE AND COUNCIL		2 000	400	600				
Vote 2 - CORPORATE SERVICE		1 240	-	-				
Vote 3 - BUDGET AND TREASURY		210	-	-				
Vote 4 - COMMUNITY AND SOCIAL SERVICES		3 845	5 000	-				
Vote 5 - PUBLIC SAFETY		1 700	-	-				
Vote 6 - WASTE MANAGEMENT		1 600	-	-				
Vote 7 - PLANNING AND DEVELOPMENT		1 810	3 600	2 400				
Vote 8 - ROADS TRANSPORT		30 550	26 728	27 149				
Vote 9 - ELETRICITY		20 750	37 500	47 500				
Vote 10 - [NAME OF VOTE 10]		-	-	-				
Vote 11 - [NAME OF VOTE 11]		-	-	-				
Vote 12 - [NAME OF VOTE 12]		-	-	-				
Vote 13 - [NAME OF VOTE 13]		-	-	-				
Vote 14 - [NAME OF VOTE 14]		-	-	-				
Vote 15 - [NAME OF VOTE 15]		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		63 705	73 228	77 649	-	-	-	-
<b>Future operational costs by vote</b>	2							
Vote 1 - EXECUTIVE AND COUNCIL								
Vote 2 - CORPORATE SERVICE								
Vote 3 - BUDGET AND TREASURY								
Vote 4 - COMMUNITY AND SOCIAL SERVICES								
Vote 5 - PUBLIC SAFETY								
Vote 6 - WASTE MANAGEMENT								
Vote 7 - PLANNING AND DEVELOPMENT								
Vote 8 - ROADS TRANSPORT								
Vote 9 - ELETRICITY								
Vote 10 - [NAME OF VOTE 10]								
Vote 11 - [NAME OF VOTE 11]								
Vote 12 - [NAME OF VOTE 12]								
Vote 13 - [NAME OF VOTE 13]								
Vote 14 - [NAME OF VOTE 14]								
Vote 15 - [NAME OF VOTE 15]								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		-	-	-	-	-	-	-
<b>Future revenue by source</b>	3							
Property rates								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
<b>Total future revenue</b>		-	-	-	-	-	-	-
<b>Net Financial Implications</b>		63 705	73 228	77 649	-	-	-	-

In terms of the Municipality's Supply Chain Management Policy, there were contracts awarded beyond the medium-term revenue and expenditure framework (three years). List attached:-

## **2.8 Capital expenditure details**

The following two tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets





Municipal Vote/Capital project  R thousand	Ref	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Total Project Estimate	Prior year outcomes		2017/18 Medium Term Revenue & Expenditure Framework			Project information	
							Audited Outcome 2015/16	Current Year 2016/17 Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>	4			2	6								
LED Streetlightning		LED Streetlightning											
kokstad Roads Phase 6		kokstad Roads Phase 6					6 000	5 200					
kokstad Roads Phase 7		kokstad Roads Phase 7					5 655	4 000	4 000	3 000			
Shayamoya Taxi Route Phase 3		Shayamoya Taxi Route Phase 3					3 800	404					
Horseshoe Taxi Route Phase 3		Horseshoe Taxi Route Phase 3					4 800	300					
Rehabilitation of Shayamoya L/F Site		Rehabilitation of Shayamoya L/F Site											
New Lanfill Site Location		New Lanfill Site Location							4 500	5 000	5 000		
Bhongweni / kokstad Youth Center		Bhongweni / kokstad Youth Center						4 121					
Electrification New Market		Electrification New Market					15						
Office Furniture & Equipment		Office Furniture & Equipment						950	210				
Commputer Equipment		Commputer Equipment					1 160						
Plant & Equipment		Plant & Equipment						1 150	900				
Retention Monies for Completed Projects		Retention Monies for Completed Projects											
Upgrade of Roads Ext. 7		Upgrade of Roads Ext. 7						6 000	1 050	8 328	7 149		
Homes 2010 electrification		Homes 2010 electrification											
Skyjack		Skyjack											
Community Hall Bhongweni Area 5/6		Community Hall Bhongweni Area 5/6					344	2 855					
Community Hall Shayamoya		Community Hall Shayamoya					-	1 500					
Community Hall Maraiskop		Community Hall Maraiskop						500					
Upgrade mini substation		Upgrade mini substation											
Shayamoya Eco- Complex		Shayamoya Eco- Complex					11 034						
Motor vehicle		Motor vehicle						2 100					
Upgrading Sports Field		Upgrading Sports Field						6 500	5 000	2 000			
Kokstad Midblock Roads (SMME's)		Kokstad Midblock Roads (SMME's)						2 500					
Upgrade of Roads Bhongweni (Area 5 & 6)		Upgrade of Roads Bhongweni (Area 5 & 6)						500					
MV Upgrade phase 2		MV Upgrade phase 2						2 500					
Upgrading Of Central substation switch gear		Upgrading Of Central substation switch gear						4 400					
ICT Upgrade		ICT Upgrade						3 000	1 040				
Electrification of RDP Houses		Electrification of RDP Houses					2 390						
Electrification of Rural houses (Currah farm)		Electrification of Rural houses (Currah farm)					-						
Upgrade of Roads Franklin		Upgrade of Roads Franklin											
Gravel Access Roads Rural Phase 3 (SMMEs)		Gravel Access Roads Rural Phase 3 (SMMEs)											
Community Hall Thuthuka Ngele		Community Hall Thuthuka Ngele											
Community Hall Waansberg		Community Hall Waansberg											
Bhongweni / kokstad Youth Center swimming pool		Bhongweni / kokstad Youth Center swimming pool					-						
COMMUNITY HALL WARD 2		COMMUNITY HALL WARD 2						500					
Reverview sportsfields phase 3													
Bhongweni stadium		Bhongweni stadium						980					
Electrification of Infomal Settlements ( Moyeni & Bhambayi)		Electrification of Infomal Settlements ( Moyeni & Bhambayi)						3 200	5 000				
Electrification of Wansberg		Electrification of Wansberg						4 500	4 000				
Small Towns Rehab		Small Towns Rehab						3 551					
Eco Time Clock		Eco Time Clock							200				
Rehab of kkstd Roads Phase8											5 000		
Installation of Streetlights											2 500		
Access Link roads											2 500		

## 2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed three interns undergoing training in various divisions of the Financial Services Department. Two additional interns will be appointed with effect from 1 April 2014.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



GREATER  
**KOKSTAD**  
MUNICIPALITY

PROVINCE OF KWAZULU-NATAL

75 Hope Street

P.O. Box 8, Kokstad

Tel. +27 39 797 66 00

Fax. + 27 39 727 55 01

Email. [info@kokstad.org.za](mailto:info@kokstad.org.za)

[www.kokstad.org.za](http://www.kokstad.org.za)

OFFICE OF THE MUNICIPAL MANAGER

### Municipal Manager's Quality certificate

I **ANDILE W. VELEM** Acting Municipal Manager of Greater Kokstad Municipality, hereby certify that the Annual draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Greater Kokstad Municipality (KZN 433)

Signature \_\_\_\_\_

Date \_\_\_\_\_